

**MARSHALL COUNTY**

**Independent Auditors' Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings**

**June 30, 2014**

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# Marshall County

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Deane Adams	Board of Supervisors	January 2015
Dave Thompson	Board of Supervisors	January 2015
Dennis Grabenbauer	Board of Supervisors	January 2017
Dawn Williams	County Auditor/Recorder	January 2017
Jarret Heil	County Treasurer	January 2015
Theoharris Kamatchus	County Sheriff	January 2017
Jennifer Miller	County Attorney	January 2015
Craig Madill	County Assessor	January 2015



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Marshall County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County at June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U. S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2014 on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshall County's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

December 30, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 8.5%, or approximately \$2.0 million, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$273,000. Charges for services increased approximately \$146,000. Operating grants, contributions and restricted contributions increased approximately \$38,000 and capital grants, contributions and restricted interest decreased approximately \$2.6 million.
- Program expenses of the County's governmental activities decreased 2.4%, or approximately \$515,000 from fiscal year 2013 to fiscal year 2014. Again this year, mental health had the largest decrease of approximately \$435,000. Decreases in program expenses also occurred in county environment and education of approximately \$286,000. Roads and transportation and physical health and social services had a similar decreases of \$100,000 and \$138,000, respectively. Administration or general government had an increase of approximately \$274,000, and public safety and legal services increased approximately \$115,000.
- The County's combined net position increased 0.7% this year, or approximately \$398,000, from June 30, 2013 to June 30, 2014.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Marshall County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marshall County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources with all the difference between the two reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) A proprietary fund accounts for the County's Internal Service, Employee Group Health and Dental Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Marshall County's combined net position increased 0.7%, or approximately \$398,000, from fiscal year 2013 to fiscal year 2014. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 29,700	26,904
Capital assets	46,145	47,435
Total assets	<u>75,845</u>	<u>74,339</u>
Long-term liabilities	3,787	2,732
Other liabilities	1,008	855
Total liabilities	<u>4,795</u>	<u>3,587</u>
Deferred inflows of resources	<u>12,908</u>	<u>13,009</u>
Net position:		
Net investment in capital assets	43,412	45,554
Restricted	11,379	9,020
Unrestricted	<u>3,351</u>	<u>3,170</u>
Total net position	<u>\$ 58,142</u>	<u>57,744</u>

Net position of Marshall County's governmental activities increased 0.7% (approximately \$58.1 million compared to approximately \$57.8 million). The largest portion of the County's net position is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$182,000. This is an increase of 5.7% from last year.

Restricted net position increased from approximately \$9.0 million on June 30, 2013 to approximately \$11.4 million on June 30, 2014, an increase of 26.1%. This increase was primarily a result of general obligation bonds sold for capital projects and an increase in the net position of mental health services.

Changes in Net Position of Governmental Activities		
	Year Ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 2,230,824	2,084,550
Operating grants, contributions and restricted interest	4,718,749	4,680,361
Capital grants, contributions and restricted interest	84,521	2,634,578
General revenues:		
Property tax	12,592,832	12,319,574
Penalty and interest on property tax	116,490	108,859
State tax credits	587,544	506,244
Local option sales tax	1,134,553	1,074,652
Unrestricted investment earnings	60,546	94,540
Other general revenues	118,969	153,481
Total revenues	<u>21,645,028</u>	<u>23,656,839</u>
Program expenses:		
Public safety and legal services	7,051,100	6,936,546
Physical health and social services	672,959	811,111
Mental health	1,146,603	1,582,030
County environment and education	1,062,998	1,349,050
Roads and transportation	7,585,721	7,685,999
Governmental services to residents	749,247	726,850
Administration	2,699,745	2,425,666
Non-program	99,215	94,962
Interest on long-term debt	178,998	148,970
Total expenses	<u>21,246,586</u>	<u>21,761,184</u>
Change in net position	398,442	1,895,655
Net position beginning of year	<u>57,743,577</u>	<u>55,847,922</u>
Net position end of year	<u>\$ 58,142,019</u>	<u>57,743,577</u>

Marshall County's net position of governmental activities increased approximately \$398,000 during the year. Revenues for governmental activities decreased approximately \$2.0 million over the prior year, with capital grants, contributions and restricted interest decreasing approximately \$2.6 million. Increases included \$146,000 in charges for services and \$38,000 in operating grants and contributions.

The cost of all governmental activities this year was \$21.2 million compared to \$21.8 million last year. As shown in the Statement of Activities on pages 12-13, the amount county taxpayers ultimately financed for these activities was approximately \$14.2 million because, some of the cost was paid by those who directly benefited from the programs (\$2.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.8 million). The County paid for the "public benefit" portion of governmental activities with approximately \$14.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

## INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of approximately \$14.1 million, which is approximately \$2.4 million more than the 2013 fund balance. The increase in fund balance is primarily attributable to increases of approximately \$1.2 million in the capital projects fund and approximately \$913,000 in the mental health services fund. Rural Services saw a decrease of 4.5% or \$88,000.

- The General Fund is comprised of General Basic, General Supplemental, Conservation Land Acquisition Trust, Klauenberg Trust and Jail Commissary Profit funds. The ending fund balance increased approximately \$238,000 from the prior year. Revenues increased approximately \$331,000 with an increase of \$435,000 in property tax offset by decreases of \$81,000 in intergovernmental revenue and \$41,000 in charges for services. Expenditures increased by approximately \$459,000 with notable increases in administration, \$406,000, in governmental services to residents, \$224,000, and public safety and legal services, \$186,000. Decreases included \$307,000 in county environment and education and \$125,000 in physical health and social services. The ratio of ending fund balance to expenses at year end was 48.5%
- Special Revenue, Mental Health Fund balance at year end increased by approximately \$913,000 from the prior year due to continued property tax support at the maximum level and reduced expenses of another \$435,000 this year. The ratio of ending fund balance to expenses at the end of 2014 was again over 100%. Fund balances of participating counties continue to be analyzed as part of the regional management plan and as part of its expansion to include new services to meet core and core plus services in each participating county.
- Special Revenue, Rural Services Fund balance at year end decreased by approximately \$88,000 from the prior year. Expenditures were approximately \$151,000 more in fiscal year 2014 due to an increase of approximately \$143,000 in public safety and \$22,000 in county environment and education offset by \$14,000 reduction in road clearing expense. Transfers out to the Special Revenue, Secondary Road Fund decreased by approximately \$201,000. Revenues increased by approximately \$105,000 with a \$131,000 increase in property tax and local option sales tax and a \$32,000 decrease in licenses and permits.
- In the Special Revenue, Secondary Roads Fund, the maximum amount was transferred from the Special Revenue, Rural Services Fund but this was a decrease of approximately \$201,000 from the previous year. Revenues increased approximately \$158,000 and expenditures decreased approximately \$322,000. These factors kept the ending fund balance relatively flat at \$1.9 million. The ratio of expenditures to ending fund balance rose from 28.2% to 30.6%.
- The fund balance of the Debt Service Fund decreased approximately \$8,000 from fiscal year 2013 to fiscal year 2014.
- The Capital Projects Fund balance increased by approximately \$1.2 million due to the receipt of proceeds of the sale of general obligation bonds.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget one time. The amendment was made in February 2014. This resulted in an increase in budgeted revenues of approximately \$616,000, mostly in intergovernmental revenue, and an increase in budgeted disbursements of approximately \$444,000 with the largest portion attributed to replacing technologically outdated election equipment.

Even with the budget amendment, the County exceeded the budgeted amounts in the roads and transportation and debt service functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, Marshall County had approximately \$84.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$631,000, or 0.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land and construction in progress	\$ 2,427	4,656
Buildings and improvements	23,520	23,185
Equipment and vehicles	9,394	9,083
Infrastructure	49,532	47,318
<b>Total</b>	<b>\$ 84,873</b>	<b>84,242</b>

This year's major additions included (in thousands):

Secondary road equipment	\$ 237
Software and computer upgrades	205
Sheriff's patrol cars	152
<b>Total</b>	<b>\$ 594</b>

The County had depreciation expense of \$2,465,624 in fiscal year 2014 and total accumulated depreciation of \$38,726,990 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 9 to the financial statements.

### Long-Term Debt

At June 30, 2014, Marshall County had \$2,733,613 in general obligation bonds and other debt outstanding compared to \$1,880,636 at June 30, 2013, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2014	2013
General obligation bonds	\$ 2,520,000	1,770,000
Capital lease purchase agreements	213,613	110,636
<b>Total</b>	<b>\$ 2,733,613</b>	<b>1,880,636</b>

The County entered into capital lease purchase agreements to lease equipment for the Sheriff, Conservation and Information Services offices with an historical cost of \$289,995. During the year ended June 30, 2014, the County increased bonds by \$1.2 million and retired \$460,000 of bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits.

Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$131 million.

There is no bond rating requested for the County at this time. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County was 5.2% compared to 5.8% in June of 2013 and 6.4% in June of 2012. This compares with the State of Iowa's June 2014 unemployment rate of 4.4% and the national rate of 6.1%. The increase in Midwest CPI-U from June 2013 to June 2014 was 1.4% compared with a national rate of 2.1%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Proposed spending for fiscal year 2015 increased 3.3% compared to the re-estimated 2013 budget. The largest percentage increases in budgeted expenditures were in capital projects (77%) and public safety and legal services (4.3%). A notable decrease of 18% was budgeted in government services to residents with the 2013 replacement of outdated election equipment. Net property tax dollars to be generated in 2015 will decrease approximately 3.8% from property taxes levied in 2014 despite the decision to exceed the statutory maximum for the general basic tax rate. At budget time, total revenues were anticipated to be \$926,000 more than re-estimated revenues for 2014; however proceeds from long-term debt were received in 2014 instead of 2015. This results in a \$300,000 (1.2%) reduction in total revenues. Other factors in this decrease include a 27.8% decrease in operating transfers in and a 15.9% decrease in use of money and property.

If these estimates are realized, the County's total operating fund balance is expected to decrease approximately \$1.7 million or to a ratio of 28% of budgeted expenditures.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall County Auditor and Recorder's Office, 1 East Main Street, Marshalltown, Iowa 50158.

Marshall County  
Statement of Net Position  
June 30, 2014

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 15,245,327
Receivables:	
Property tax:	
Delinquent	2,895
Succeeding year	12,908,317
Interest and penalty on property tax	1,699
Accounts	56,471
Accrued interest	1,965
Due from other governments	668,845
Inventories	716,704
Prepaid expenses	97,689
Capital assets, net of accumulated depreciation	46,145,517
<b>Total assets</b>	<b>75,845,429</b>
<b>Liabilities</b>	
Accounts payable	658,199
Accrued interest payable	8,853
Salaries and benefits payable	157,833
Due to other governments	182,666
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	106,032
General obligation bonds	610,000
Compensated absences	619,918
Portion due or payable after one year:	
Capital lease purchase agreements	107,581
General obligation bonds	1,910,000
Net OPEB liability	434,011
<b>Total liabilities</b>	<b>4,795,093</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	12,908,317
<b>Net Position</b>	
Net investment in capital assets	43,411,904
Restricted for:	
Supplemental levy purposes	2,707,358
Mental health purposes	2,926,056
Rural services purposes	1,874,040
Secondary roads purposes	1,986,950
Debt service	38,040
Capital projects	1,255,391
Other purposes	591,080
Unrestricted	3,351,200
<b>Total net position</b>	<b>\$ 58,142,019</b>

Marshall County  
Statement of Activities  
Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 7,051,100	1,309,991	217,700	-
Physical health and social services	672,959	31,959	250,836	-
Mental health	1,146,603	4,520	121,247	-
County environment and education	1,062,998	176,547	26,701	57,345
Roads and transportation	7,585,721	103,714	4,084,321	27,176
Governmental services to residents	749,247	569,673	4,914	-
Administration	2,699,745	32,130	13,030	-
Non-program	99,215	2,290	-	-
Interest on long-term debt	178,998	-	-	-
<b>Total</b>	<b>\$ 21,246,586</b>	<b>2,230,824</b>	<b>4,718,749</b>	<b>84,521</b>

**General Revenues:**

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

---

<u>Net (Expense) Revenue and Changes in Net Position</u>
(5,523,409)
(390,164)
(1,020,836)
(802,405)
(3,370,510)
(174,660)
(2,654,585)
(96,925)
<u>(178,998)</u>
<u>(14,212,492)</u>
11,838,785
154,670
599,377
116,490
587,544
1,134,553
60,546
118,969
<u>14,610,934</u>
398,442
<u>57,743,577</u>
<u><u>\$ 58,142,019</u></u>

Marshall County  
Balance Sheet  
Governmental Funds  
June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 5,621,518	3,075,238	1,770,725
Receivables:			
Property tax:			
Delinquent	1,954	432	371
Succeeding year	8,427,986	1,931,719	1,803,312
Interest and penalty on property tax	1,699	-	-
Accounts	2,610	-	2,002
Accrued interest	1,965	-	-
Due from other governments	184,678	517	181,267
Inventories	-	-	-
Prepaid expenses	90,672	-	-
<b>Total assets</b>	<b>\$ 14,333,082</b>	<b>5,007,906</b>	<b>3,757,677</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 195,287	29,960	58,778
Salaries and benefits payable	89,594	9,222	12,507
Due to other governments	61,072	111,598	8,689
<b>Total liabilities</b>	<b>345,953</b>	<b>150,780</b>	<b>79,974</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	8,427,986	1,931,719	1,803,312
Other	2,935	337	351
<b>Total deferred inflows of resources</b>	<b>8,430,921</b>	<b>1,932,056</b>	<b>1,803,663</b>

Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
979,230	43,291	1,255,391	587,400	13,332,793
-	138	-	-	2,895
-	745,300	-	-	12,908,317
-	-	-	-	1,699
200	-	-	-	4,812
-	-	-	-	1,965
298,630	-	-	3,753	668,845
716,704	-	-	-	716,704
7,017	-	-	-	97,689
<u>2,001,781</u>	<u>788,729</u>	<u>1,255,391</u>	<u>591,153</u>	<u>27,735,719</u>

86,001	-	-	73	370,099
46,510	-	-	-	157,833
1,307	-	-	-	182,666
<u>133,818</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>710,598</u>

-	745,300	-	-	12,908,317
-	108	-	-	3,731
-	<u>745,408</u>	-	-	<u>12,912,048</u>



Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
716,704	-	-	-	716,704
7,017	-	-	-	97,689
-	-	-	-	2,616,686
-	-	-	-	2,925,070
-	-	-	-	1,874,040
1,144,242	-	-	-	1,144,242
-	-	-	-	207,076
-	43,321	-	-	43,321
-	-	1,255,391	-	1,255,391
-	-	-	591,080	591,080
-	-	-	-	40,000
-	-	-	-	481,424
-	-	-	-	225,652
-	-	-	-	1,894,698
1,867,963	43,321	1,255,391	591,080	14,113,073
2,001,781	788,729	1,255,391	591,153	27,735,719

Marshall County  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Position  
 June 30, 2014

Exhibit D

**Total governmental fund balances (page 17)** **\$ 14,113,073**

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$84,872,507 and the accumulated depreciation is \$38,726,990. 46,145,517

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 3,731

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Postion. 1,676,093

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,796,395)

**Net position of governmental activities (page 11)** **\$ 58,142,019**

Marshall County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 8,381,565	1,852,023	1,605,438	-
Local option sales tax	-	-	1,134,553	-
Interest and penalty on property tax	116,324	-	-	-
Intergovernmental	1,850,718	208,015	157,808	4,083,795
Licenses and permits	50	-	183,090	11,815
Charges for service	733,878	4,520	-	27,229
Use of money and property	196,995	-	-	526
Miscellaneous	156,862	-	116	64,670
Total revenues	<u>11,436,392</u>	<u>2,064,558</u>	<u>3,081,005</u>	<u>4,188,035</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	6,362,621	-	847,872	-
Physical health and social services	659,459	-	27,514	-
Mental health	-	1,151,650	-	-
County environment and education	502,223	-	264,612	-
Roads and transportation	-	-	51,786	6,107,438
Governmental services to residents	930,085	-	1,646	-
Administration	2,865,986	-	-	-
Debt service	-	-	-	-
Capital projects	130,994	-	-	3,440
Total expenditures	<u>11,451,368</u>	<u>1,151,650</u>	<u>1,193,430</u>	<u>6,110,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,976)</u>	<u>912,908</u>	<u>1,887,575</u>	<u>(1,922,843)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	10,007	-	-	2,000
Operating transfers in	-	-	-	1,975,789
Operating transfers out	-	-	(1,975,789)	-
Capital lease purchase agreements	243,310	-	-	-
General obligation bonds issued	-	-	-	-
Total other financing sources (uses)	<u>253,317</u>	<u>-</u>	<u>(1,975,789)</u>	<u>1,977,789</u>
Change in fund balances	238,341	912,908	(88,214)	54,946
Fund balances beginning of year	<u>5,317,867</u>	<u>2,012,162</u>	<u>1,962,254</u>	<u>1,813,017</u>
Fund balances end of year	<u>\$ 5,556,208</u>	<u>2,925,070</u>	<u>1,874,040</u>	<u>1,867,963</u>

Debt Service	Capital Projects	Nonmajor	Total
599,398	-	154,670	12,593,094
-	-	-	1,134,553
-	-	-	116,324
27,341	-	25,663	6,353,340
-	-	-	194,955
-	-	6,131	771,758
-	193	117	197,831
-	26,983	55,969	304,600
626,739	27,176	242,550	21,666,455
-	-	40,897	7,251,390
-	-	-	686,973
-	-	-	1,151,650
-	-	187,511	954,346
-	-	-	6,159,224
-	-	5,368	937,099
-	-	-	2,865,986
634,839	-	-	634,839
-	5,337	-	139,771
634,839	5,337	233,776	20,781,278
(8,100)	21,839	8,774	885,177
-	-	-	12,007
-	-	30,304	2,006,093
-	-	(30,304)	(2,006,093)
-	-	-	243,310
-	1,210,000	-	1,210,000
-	1,210,000	-	1,465,317
(8,100)	1,231,839	8,774	2,350,494
51,421	23,552	582,306	11,762,579
43,321	1,255,391	591,080	14,113,073

**Marshall County**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2014**

**Change in fund balances - Total governmental funds (page 20)** **\$ 2,350,494**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeds capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 1,176,531	
Depreciation expense	<u>(2,465,624)</u>	(1,289,093)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax		(96)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(1,453,310)	
Repaid	<u>600,333</u>	(852,977)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(103,663)	
Other postemployment benefits	(99,215)	
Interest on long-term debt	<u>(4,159)</u>	(207,037)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plans to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

397,151

**Change in net position of governmental activities (page 13)** **\$ 398,442**

Marshall County  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	Internal Service- Employee Group Health
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,912,534
Accounts receivable	51,659
<b>Total current assets</b>	1,964,193
 <b>Current Liabilities</b>	
Accounts payable	288,100
 <b>Net Position</b>	
Unrestricted	\$ 1,676,093

Marshall County  
Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Fund  
Year Ended June 30, 2014

		Internal Service- Employee Group Health
<b>Operating revenues:</b>		
Reimbursements from operating funds	\$ 1,968,871	
Reimbursements from employees and others	152,143	
Insurance reimbursements	453,811	
Total operating revenues		2,574,825
<b>Operating expenses:</b>		
Medical claims	\$ 1,729,209	
Insurance premiums	444,281	
Administrative fees	6,472	
Operating income		2,179,962
		394,863
<b>Non-operating revenues:</b>		
Interest income		2,288
Net income		397,151
Net position beginning of year		1,278,942
Net position end of year		\$ 1,676,093

Marshall County  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2014

	Internal Service- Employee Group Health
<b>Cash flows from operating activities:</b>	
Cash received from operating fund reimbursements	\$ 1,968,871
Cash received from employees and others	590,622
Cash paid to suppliers for services	(2,159,962)
Net cash provided by operating activities	399,531
<b>Cash flows from investing activities:</b>	
Interest on investments	2,288
Net increase in cash and cash equivalents	401,819
Cash and cash equivalents beginning of year	1,510,715
Cash and cash equivalents end of year	\$ 1,912,534
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 394,863
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(15,332)
Increase in accounts payable	20,000
Net cash provided by operating activities	\$ 399,531

Marshall County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

**Assets**

## Cash, cash equivalents and pooled investments:

County Treasurer	\$ 5,697,095
Other County officials	128,976

## Receivables:

## Property tax:

Delinquent	9,637
Succeeding year	40,443,786

Accounts	61,332
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Accrued interest	3,112
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Assessments	183,041
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<b>Total assets</b>	<u>46,526,979</u>
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**Liabilities**

Accounts payable	41,237
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Salaries and benefits payable	197
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Due to other governments	46,235,715
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Trusts payable	191,805
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Compensated absences	58,025
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<b>Total liabilities</b>	<u>46,526,979</u>
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<b>Net position</b>	<u>\$ -</u>
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Marshall County  
Notes to Financial Statements  
June 30, 2014

**(1) Summary of Significant Accounting Policies**

Marshall County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor/Recorder, Treasurer, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Marshall County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units** – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Marshall County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County E911 Service Board and Marshall County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center, Mid-Iowa Drug Task Force and Iowa River Valley Early Childhood Area.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

**Marshall County**  
**Notes to Financial Statements**  
**June 30, 2014**

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The county maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Marshall County  
Notes to Financial Statements  
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

**Marshall County**  
**Notes to Financial Statements**  
**June 30, 2014**

**(1) Summary of Significant Accounting Policies (continued)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,975,789
Special Revenue: Moderate Income Housing	Special Revenue: Urban Renewal Revenue	<u>30,304</u>
		<u>\$ 2,006,093</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 1,770,000	110,636	516,253	334,796	2,731,685
Increases	1,210,000	243,310	109,157	99,215	1,661,682
Decreases	460,000	140,333	5,492	-	605,825
Balance end of year	<u>\$ 2,520,000</u>	<u>213,613</u>	<u>619,918</u>	<u>434,011</u>	<u>3,787,542</u>
Due within one year	<u>\$ 610,000</u>	<u>106,032</u>	<u>619,918</u>	<u>-</u>	<u>1,335,950</u>

**Marshall County**  
**Notes to Financial Statements**  
**June 30, 2014**

**(4) Long-Term Liabilities (continued)**

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease vehicles for the sheriff and conservation offices and for the purchase of computer equipment with historical costs of \$289,995. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.64% to 5.89% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

Year ending June 30,	Sheriff's Vehicles	Conservation Vehicle	Computer Equipment	Total
2015	\$ 75,953	14,800	26,568	117,321
2016	40,509	-	26,568	67,077
2017	-	-	19,683	19,683
2018	-	-	19,683	19,683
2019	-	-	9,840	9,840
Total minimum lease payments	116,462	14,800	102,342	233,604
Less amount representing interest	8,230	808	10,953	19,991
Present value of net minimum lease payments	<u>\$ 108,232</u>	<u>13,992</u>	<u>91,389</u>	<u>213,613</u>

Payments under capital lease purchase agreements totaled \$140,333 for the year ended June 30, 2014.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$4,591,262 is outstanding at June 30, 2014. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Bonds Payable

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00 %	\$ 610,000	50,400	660,400
2016	2.00	625,000	38,200	663,200
2017	2.00	640,000	25,700	665,700
2018	2.30	645,000	12,900	657,900
Total		<u>\$ 2,520,000</u>	<u>127,200</u>	<u>2,647,200</u>

During the year ended June 30, 2014, the County retired \$460,000 of general obligation bonds.

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(5) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plans are funded by both employee and County contributions and are administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$1,968,871.

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2014 total \$288,100, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,676,093 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 268,100
Incurred claims (including claims incurred but not reported at June 30, 2014)	1,729,209
Payments:	
Payments on claims during the fiscal year	<u>1,709,209</u>
Unpaid claims end of year	<u><u>\$ 288,100</u></u>

**(6) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(6) Pension and Retirement Benefits (continued)**

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$705,476, \$681,347 and \$646,050, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 152 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 102,353
Interest on net OPEB obligation	13,392
Adjustment to annual required contribution	(9,808)
Annual OPEB cost	<u>105,937</u>
Contributions made	(6,722)
Increase in net OPEB obligation	<u>99,215</u>
Net OPEB obligation beginning of year	<u>334,796</u>
Net OPEB obligation end of year	<u><u>\$ 434,011</u></u>

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(7) Other Postemployment Benefits (OPEB) (continued)**

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, plan members eligible for benefits contributed \$6,722, or 100% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 66,660	13.0%	\$ 57,966
2010	67,285	12.8%	116,617
2011	61,611	14.0%	169,594
2012	99,329	29.3%	239,834
2013	102,206	7.1%	334,796
2014	105,937	6.3%	434,011

**Funded Status and Funding Progress.** As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$811,537, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$811,537. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,501,366 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2014, there were no trust fund assets.

**Actuarial Methods and Assumptions.** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(7) Other Postemployment Benefits (OPEB) (continued)**

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$747.18 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 61,072
Special Revenue:		
Secondary Roads	Services	1,307
Rural Services	Services	8,689
Mental Health	Services	111,598
		<u>121,594</u>
Total for governmental funds		<u>\$ 182,666</u>
Agency:		
County Assessor	Collections	\$ 653,418
Schools		24,699,912
Community Colleges		2,759,163
Corporations		12,400,878
Auto License and Use Tax		829,904
Solid Waste Irrevocable Trust		3,743,277
All other		1,149,163
Total for agency funds		<u>\$ 46,235,715</u>

Marshall County  
Notes to Financial Statements  
June 30, 2014

(9) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,427,001	-	-	2,427,001
Construction in progress	2,228,672	-	2,228,672	-
Total capital assets not being depreciated	<u>4,655,673</u>	<u>-</u>	<u>2,228,672</u>	<u>2,427,001</u>
Capital assets being depreciated:				
Buildings	23,185,304	334,656	-	23,519,960
Equipment and vehicles	9,082,595	1,030,367	718,927	9,394,035
Infrastructure, road network	47,318,167	2,213,344	-	49,531,511
Total capital assets being depreciated	<u>79,586,066</u>	<u>3,578,367</u>	<u>718,927</u>	<u>82,445,506</u>
Less accumulated depreciation for:				
Buildings	10,338,172	459,484	-	10,797,656
Equipment and vehicles	4,830,790	526,675	545,763	4,811,702
Infrastructure, road network	21,638,167	1,479,465	-	23,117,632
Total accumulated depreciation	<u>36,807,129</u>	<u>2,465,624</u>	<u>545,763</u>	<u>38,726,990</u>
Total capital assets being depreciated, net	<u>42,778,937</u>	<u>1,112,743</u>	<u>173,164</u>	<u>43,718,516</u>
Governmental activities capital assets, net	<u>\$ 47,434,610</u>	<u>1,112,743</u>	<u>2,401,836</u>	<u>46,145,517</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 348,015
Physical health and social services	1,309
County environment and education	124,041
Roads and transportation	1,794,497
Governmental services to residents	23,632
Administration	<u>174,130</u>
Total depreciation expense - governmental activities	<u>\$ 2,465,624</u>

Marshall County  
Notes to Financial Statements  
June 30, 2014

**(10) Operating Leases**

The County has entered into several other leases for operating space used by various county departments and leases for office copy machines. The leases expire at various times through August 1, 2019. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30,	Annual Rent Due
2015	\$ 95,108
2016	92,808
2017	92,404
2018	89,841
2019	87,478
2020	7,290
Total	<u>\$ 464,929</u>

The total annual lease costs for the year ended June 30, 2014 were \$121,876.

**(11) Risk Management**

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**(13) Date of Management Evaluation**

Management has evaluated subsequent events through December 30, 2014, the date on which the financial statements were available to be issued.

**Required Supplementary Information**

**Marshall County**  
**Budgetary Comparison Schedule of**  
**Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2014**

	Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>		
Property and other county tax	\$ 13,692,474	-
Interest and penalty on property tax	115,759	-
Intergovernmental	6,455,465	-
Licenses and permits	190,466	-
Charges for service	751,670	-
Use of money and property	213,547	-
Miscellaneous	226,214	-
<b>Total receipts</b>	<b>21,645,595</b>	<b>-</b>
<b>Disbursements:</b>		
Public safety and legal services	7,102,139	-
Physical health and social services	762,898	-
Mental health	1,146,228	-
County environment and education	916,279	-
Roads and transportation	6,256,857	-
Governmental services to residents	933,942	-
Administration	2,658,942	-
Debt service	634,839	-
Capital projects	138,273	-
<b>Total disbursements</b>	<b>20,550,397</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>1,095,198</b>	<b>-</b>
<b>Other financing sources, net</b>	<b>1,232,581</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>2,327,779</b>	<b>-</b>
<b>Balance beginning of year</b>	<b>11,005,014</b>	<b>7,500</b>
<b>Balance end of year</b>	<b>\$ 13,332,793</b>	<b>7,500</b>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
13,692,474	13,839,966	13,839,966	(147,492)
115,759	-	-	115,759
6,455,465	6,104,928	6,542,239	(86,774)
190,466	47,100	171,850	18,616
751,670	757,092	763,685	(12,015)
213,547	246,425	258,360	(44,813)
226,214	214,557	249,730	(23,516)
21,645,595	21,210,068	21,825,830	(180,235)
7,102,139	7,559,562	7,534,812	432,673
762,898	991,321	1,030,321	267,423
1,146,228	1,938,965	1,938,965	792,737
916,279	959,608	971,463	55,184
6,256,857	6,237,600	6,243,600	(13,257)
933,942	871,895	1,146,895	212,953
2,658,942	2,916,435	2,985,735	326,793
634,839	627,900	627,900	(6,939)
138,273	825,898	893,941	755,668
20,550,397	22,929,184	23,373,632	2,823,235
1,095,198	(1,719,116)	(1,547,802)	2,643,000
1,232,581	12,500	42,500	1,190,081
2,327,779	(1,706,616)	(1,505,302)	3,833,081
10,997,514	9,449,920	10,874,719	122,795
13,325,293	7,743,304	9,369,417	3,955,876

Marshall County  
 Budgetary Comparison Schedule -  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,645,595	20,860	21,666,455
Expenditures	20,550,397	230,881	20,781,278
Net	1,095,198	(210,021)	885,177
Other financing sources, net	1,232,581	232,736	1,465,317
Beginning fund balances	11,005,014	757,565	11,762,579
Ending fund balances	\$ 13,332,793	780,280	14,113,073

**Marshall County**  
**Notes to Required Supplementary Information-**  
**Budgetary Reporting**  
**June 30, 2014**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$444,448. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions.

Marshall County  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 764,414	\$ 764,414	0.0%	\$ 6,706,729	11.6%
2010	July 1, 2008	-	764,414	764,414	0.0%	7,006,508	10.9%
2011	July 1, 2008	-	764,414	764,414	0.0%	7,081,075	10.8%
2012	July 1, 2011	-	811,537	811,537	0.0%	7,086,601	11.5%
2013	July 1, 2011	-	811,537	811,537	0.0%	7,303,834	11.1%
2014	July 1, 2011	-	811,537	811,537	0.0%	7,501,366	10.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Supplementary Information**

Marshall County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 90,486	4,978	5,589	602
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 90,486</b>	<b>4,978</b>	<b>5,589</b>	<b>602</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Fund balances:				
Restricted for:				
Other purposes	90,486	4,978	5,589	602
<b>Total liabilities and fund balances</b>	<b>\$ 90,486</b>	<b>4,978</b>	<b>5,589</b>	<b>602</b>

Attorney's Collections	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Total
87,391	7,500	450	390,404	587,400
3,753	-	-	-	3,753
91,144	7,500	450	390,404	591,153
73	-	-	-	73
91,071	7,500	450	390,404	591,080
91,144	7,500	450	390,404	591,153

Marshall County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014

	Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
<b>Revenues:</b>				
Property and other county tax	\$ -	-	-	-
Intergovernmental	22,735	583	-	-
Charges for service	-	-	6,131	-
Use of money and property	83	2	6	1
Miscellaneous	-	-	-	601
Total revenues	<u>22,818</u>	<u>585</u>	<u>6,137</u>	<u>602</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	-	10,000	-	2,977
County environment and education	-	-	-	-
Government services to residents	-	-	5,368	-
Total expenditures	<u>-</u>	<u>10,000</u>	<u>5,368</u>	<u>2,977</u>
Excess (deficiency) of revenues over (under) expenditures	22,818	(9,415)	769	(2,375)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	22,818	(9,415)	769	(2,375)
Fund balances beginning of year	<u>67,668</u>	<u>14,393</u>	<u>4,820</u>	<u>2,977</u>
Fund balances end of year	<u>\$ 90,486</u>	<u>4,978</u>	<u>5,589</u>	<u>602</u>

Attorney's Collections	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Total
-	-	154,670	-	154,670
-	-	2,345	-	25,663
-	-	-	-	6,131
25	-	-	-	117
55,368	-	-	-	55,969
55,393	-	157,015	-	242,550
27,920	-	-	-	40,897
-	-	126,261	61,250	187,511
-	-	-	-	5,368
27,920	-	126,261	61,250	233,776
27,473	-	30,754	(61,250)	8,774
-	-	-	30,304	30,304
-	-	(30,304)	-	(30,304)
-	-	(30,304)	30,304	-
27,473	-	450	(30,946)	8,774
63,598	7,500	-	421,350	582,306
91,071	7,500	450	390,404	591,080

Marshall County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	-	2,492	268,503
Other County officials	18,244	110,732	-	-
Receivables:				
Property tax:				
Delinquent	-	-	46	94
Succeeding year	-	-	225,000	440,000
Accounts	24	-	-	90
Accrued interest	-	-	-	-
Assessments	-	-	-	-
<b>Total assets</b>	<b>\$ 18,268</b>	<b>110,732</b>	<b>227,538</b>	<b>708,687</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	197
Due to other governments	18,268	-	227,538	653,418
Trusts payable	-	110,732	-	-
Compensated absences	-	-	-	55,072
<b>Total liabilities</b>	<b>\$ 18,268</b>	<b>110,732</b>	<b>227,538</b>	<b>708,687</b>

Schedule 3

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
297,320	33,508	172,186	4,837	61	15,076	829,904
-	-	-	-	-	-	-
5,850	619	2,923	104	1	-	-
24,396,742	2,725,036	12,225,769	426,352	4,887	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	183,041	-
24,699,912	2,759,163	12,400,878	431,293	4,949	198,117	829,904
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,699,912	2,759,163	12,400,878	431,293	4,949	198,117	829,904
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,699,912	2,759,163	12,400,878	431,293	4,949	198,117	829,904

Marshall County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
June 30, 2014

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 157,624	83,155	3,740,165
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	31,126	-	-
Accrued interest	-	-	3,112
Assessments	-	-	-
<b>Total assets</b>	<b>\$ 188,750</b>	<b>83,155</b>	<b>3,743,277</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,842	-	-
Salaries and benefits payable	-	-	-
Due to other governments	183,955	83,155	3,743,277
Trusts payable	-	-	-
Compensated absences	2,953	-	-
<b>Total liabilities</b>	<b>\$ 188,750</b>	<b>83,155</b>	<b>3,743,277</b>

<u>E911</u>	<u>Other</u>	<u>Total</u>
9,603	82,661	5,697,095
-	-	128,976
-	-	9,637
-	-	40,443,786
30,092	-	61,332
-	-	3,112
-	-	183,041
<u>39,695</u>	<u>82,661</u>	<u>46,526,979</u>
39,395	-	41,237
-	-	197
300	1,588	46,235,715
-	81,073	191,805
-	-	58,025
<u>39,695</u>	<u>82,661</u>	<u>46,526,979</u>

**Marshall County**  
**Combining Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2014**

<b>Assets and Liabilities</b>	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
Balances beginning of year	\$ 16,606	82,371	208,264	688,995
Additions:				
Property and other county tax	-	-	215,907	421,457
E911 surcharge	-	-	-	-
State tax credits	-	-	9,225	18,808
Interest	-	-	-	-
Office fees and collections	536,182	116,986	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	373,333	-	-
Miscellaneous	-	-	-	690
Total additions	536,182	490,319	225,132	440,955
Deductions:				
Agency remittances:				
To other funds	221,181	124,237	-	-
To other governments	313,339	-	205,858	421,263
Trusts paid out	-	337,721	-	-
Total deductions	534,520	461,958	205,858	421,263
Balances end of year	\$ 18,268	110,732	227,538	708,687

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
24,673,317	2,835,540	12,449,136	427,113	5,071	233,610	876,415
23,323,038	2,579,388	13,393,981	407,029	4,665	-	-
-	-	-	-	-	-	-
1,081,117	122,555	533,632	20,194	225	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	10,097,500
-	-	-	-	-	65,037	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,404,155	2,701,943	13,927,613	427,223	4,890	65,037	10,097,500
-	-	-	-	-	-	347,626
24,377,560	2,778,320	13,975,871	423,043	5,012	100,530	9,796,385
-	-	-	-	-	-	-
24,377,560	2,778,320	13,975,871	423,043	5,012	100,530	10,144,011
24,699,912	2,759,163	12,400,878	431,293	4,949	198,117	829,904

Marshall County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
Year Ended June 30, 2014

<b>Assets and Liabilities</b>	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	E911
Balances beginning of year	\$ 178,322	145,292	3,556,164	38,456
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	-	-	143,068
State tax credits	-	-	-	-
Interest	-	-	27,113	24
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	533,903	-	-
Miscellaneous	141,329	-	160,000	-
Total additions	<u>141,329</u>	<u>533,903</u>	<u>187,113</u>	<u>143,092</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	130,901	-	-	141,853
Trusts paid out	-	596,040	-	-
Total deductions	<u>130,901</u>	<u>596,040</u>	<u>-</u>	<u>141,853</u>
Balances end of year	<u>\$ 188,750</u>	<u>83,155</u>	<u>3,743,277</u>	<u>39,695</u>

Schedule 4

Other	Total
83,880	46,498,552
12,217	40,357,682
-	143,068
-	1,785,756
14	27,151
6,131	659,299
1,774	10,099,274
-	65,037
38,999	946,235
121,961	423,980
181,096	54,507,482
-	693,044
20,475	52,690,410
161,840	1,095,601
182,315	54,479,055
82,661	46,526,979

**Marshall County**  
**Schedule of Revenues by Source and Expenditures by Function -**  
**All Governmental Funds**  
**For the Last Ten Years**

	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 12,593,094	12,318,561	12,485,437	12,058,876
Local option sales tax	1,134,553	1,074,652	925,628	1,201,856
Interest and penalty on property tax	116,324	108,006	114,693	138,983
Intergovernmental	6,353,340	6,279,617	9,623,543	8,042,690
Licenses and permits	194,955	227,073	83,260	420,754
Charges for service	771,758	973,531	775,389	783,293
Use of money and property	197,831	221,486	232,034	266,364
Miscellaneous	304,600	220,294	287,780	426,616
<b>Total</b>	<b>\$ 21,666,455</b>	<b>21,423,220</b>	<b>24,527,764</b>	<b>23,339,432</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 7,251,390	6,907,463	6,920,295	6,553,666
Physical health and social services	686,973	812,509	871,968	915,115
Mental health	1,151,650	1,586,563	4,360,668	3,939,338
County environment and education	954,346	1,286,349	1,033,112	941,991
Roads and transportation	6,159,224	6,200,500	5,904,478	5,682,722
Governmental services to residents	937,099	722,347	695,428	821,502
Administration	2,865,986	2,459,776	2,476,554	2,461,677
Debt service	634,839	593,550	594,129	2,482,182
Capital projects	139,771	434,453	1,431,830	1,120,566
<b>Total</b>	<b>\$ 20,781,278</b>	<b>21,003,510</b>	<b>24,288,462</b>	<b>24,918,759</b>

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
11,692,229	11,055,070	10,472,684	9,001,670	8,405,905	7,950,897
1,406,106	1,118,897	1,086,528	1,152,504	976,259	1,033,688
120,109	120,826	106,923	94,099	85,590	79,971
7,808,697	7,411,323	9,179,285	8,308,773	7,820,874	8,077,032
54,908	43,873	54,848	40,403	46,066	46,971
764,880	752,121	734,071	766,129	796,291	758,393
290,270	378,597	521,697	531,424	455,809	322,399
390,469	308,071	321,900	317,997	692,254	335,855
<u>22,527,668</u>	<u>21,188,778</u>	<u>22,477,936</u>	<u>20,212,999</u>	<u>19,279,048</u>	<u>18,605,206</u>
6,303,830	5,897,532	5,729,854	5,549,685	5,657,380	5,818,897
1,037,554	920,438	889,834	761,605	850,979	804,436
3,565,959	3,795,990	3,759,441	3,401,778	3,128,228	3,077,753
881,014	880,818	841,792	794,776	804,072	670,706
5,335,732	5,141,859	5,926,324	5,116,544	4,714,904	5,310,680
835,702	796,497	769,337	743,642	990,407	813,864
2,696,270	2,427,338	2,328,010	2,278,439	2,197,990	2,133,687
581,984	734,733	683,613	661,272	653,589	481,297
345,886	867,654	647,702	1,238,663	1,532,287	339,840
<u>21,583,931</u>	<u>21,462,859</u>	<u>21,575,907</u>	<u>20,546,404</u>	<u>20,529,836</u>	<u>19,451,160</u>



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Marshall County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marshall County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Marshall County's Responses to Findings

Marshall County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Marshall County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

December 30, 2014

Marshall County  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

# Marshall County Schedule of Findings Year Ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Sheriff

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees, however, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The sheriff’s office will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

**INSTANCES OF NON COMPLIANCE:**

No matters were reported.

## Marshall County Schedule of Findings Year Ended June 30, 2014

### **Part III: Other Findings Related to Required Statutory Reporting:**

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceed the amounts budgeted in the roads and transportation and debt service functions.

Recommendation – The budget should have been amended in accordance with Chapter 331.432 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The overspending occurred so close to the fiscal year end that Marshall County did not have adequate time to notify the public of an amendment. The overspending was a dollar amount so minor in relation to the overall budget that the Board could not justify spending the money on the amendment process.

Conclusion – The budget should have been amended in accordance with Chapter 331.432 of the Code of Iowa before disbursements were allowed to exceed the budget.

III-B-14 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-14 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Business Connection	Description	Amount
Dave Thompson, Board of Supervisor, Owner of Thompson True-Value	Supplies	\$ 1,019
Dennis Bachman, father of Kim Elder, Emergency Management Director	EMS Training	300
Curt Miller, Secondary Road employee, Owner, Keen Edge	Services	644

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Dave Thompson, Dennis Bachman and Curt Miller do not appear to represent conflicts of interest since total transactions with these individuals was less than \$1,500 during the fiscal year.

Marshall County  
Schedule of Findings  
Year Ended June 30, 2014

**Part III: Other Findings Related to Required Statutory Reporting (continued):**

III-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

III-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-14 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

III-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

**Marshall County  
Audit Staff**

**This audit was performed by:**

**Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa**

**Personnel:**

**Elizabeth A. Miller, CPA, Principal  
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